MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

2014 ANNUAL REPORT

LETTER OF TRANSMITTAL

Regina, Saskatchewan
March 24, 2015

To Her Honour
The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

Madam:

I have the honour to submit herewith the Annual Report of the Municipal Financing Corporation of Saskatchewan for the year ended December 31, 2014, in accordance with **The Municipal Financing Corporation Act.** The financial statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by the Corporation's auditors.

I have the honour to be, Madam,

Your obedient servant,

/s/ Ken Krawetz

Ken Krawetz
Minister of Finance
And Minister Responsible
Municipal Financing Corporation of Saskatchewan

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

BOARD OF DIRECTORS

Honourable Ken Krawetz
Chairperson

Honourable Jim Reiter

OFFICERS

Denise Macza
General Manager

Jim Fallows
Treasurer

Emily Guo
Secretary

CONTACT INFORMATION

Address:	6th Floor – 2350 Albert Street REGINA SK S4P 4A6
Phone Number:	(306) 787-8150
Fax Number:	(306) 787-8493
Website:	www.gov.sk.ca/mfc/
e-mail address:	mfc@finance.gov.sk.ca

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

HISTORY AND CURRENT HIGHLIGHTS – 2014

The Municipal Financing Corporation of Saskatchewan (the Corporation) was established to assist in making capital funds available for the financing of school, hospital and other essential construction and local improvement projects in cities, towns, villages and rural areas throughout the Province. The Corporation may borrow directly from private lending institutions or through the Ministry of Finance. The Corporation uses the funds borrowed to purchase a portion of the approved debentures sold each year by Saskatchewan local governments.

The Corporation participated in the financing of 19 projects by purchasing $128.3 million of debentures. Of this amount, $100.0 million pertained to a loan to the City of Regina for its Stadium Project. Most of the other financings involved land purchases and construction projects.

The Corporation's debenture holdings at December 31, 2014 totaled $226.9 million, up $61.8 million from the total at December 31, 2013.

The Corporation recorded net earnings of $1.7 million in 2014, which exceeded the surplus recorded in 2013 and the $1.1 million amount budgeted (see note 10 to the financial statements). The increase in net earnings is attributable to declining interest rates which resulted in gains in the Corporation's debt retirement funds.

For 2015, the Corporation expects a slight decline in earnings as a result of income from debt retirement funds returning to a more typical level.

The Municipal Financing Corporation of Saskatchewan is administered by a Board of Directors through the use of staff and facilities provided by the Ministry of Finance. The Corporation incurred $49,000 of administrative expenses in 2014. These expenses were primarily for the reimbursement of the costs to the Ministry of Finance of providing administrative services. The Directors of the Municipal Financing Corporation of Saskatchewan do not receive fees and, with the exception of interest paid on borrowed funds, the Corporation had no other expenses in the current year.

A table of lending activity for the current and previous year is presented on page 4.

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

COMPARATIVE TABLE OF LENDING ACTIVITY
For the Year Ended December 31

	2014	2013
	(thousands of Canadian dollars)	
Amount of debentures offered to the Corporation	$ 126,797	$ 27,612
Prior year's purchase commitments carried forward	1,850	1,060
Total purchase commitments for the year	$ 128,647	$ 28,672
Purchases completed	128,283	26,822
Purchase commitments outstanding at the year end	$ 364	$ 1,850

DEBENTURES PURCHASED IN 2014
(thousands of Canadian dollars)

City of Humboldt	$ 304
City of Humboldt	341
City of Martensville	5,000
City of Martensville	10,200
City of Martensville	5,000
City of Regina	100,000
Resort Village of Etters Beach	100
RM of Maryfield	430
RM of Meota	420
Town of Balgonie	2,460
Town of Kelvington	500
Town of Mossbank	250
Town of Osler	410
Town of Rosthern	1,500
Town of Wapella	108
Village of Fairlight	50
Village of Meota	210
Village of Middle Lake	500
Village of Paradise Hill	500
	$ 128,283

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management has prepared the financial statements of the Municipal Financing Corporation of Saskatchewan in accordance with International Financial Reporting Standards on a basis consistent with that of the previous year. Management is responsible for the reliability and integrity of the financial statements and all other information contained in this Annual Report.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, management maintains appropriate systems of internal controls, policies and procedures to provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Dudley and Company LLP, the Corporation's external auditors, have reviewed the systems of internal control and audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on the financial statements. Their report appears on the following page.

The financial statements have been examined and approved by the Board of Directors.

/s/ Denise Macza

Denise Macza, CPA, CMA, CFA, ICD.D
General Manager

/s/ Jim Fallows

Jim Fallows, CPA, CA, CMA
Treasurer

March 24, 2015

INDEPENDENT AUDITOR'S REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the accompanying financial statements of the **MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN** (the Entity) which comprise the statement of financial position as at December 31, 2014 and the statements of comprehensive income, changes in equity, and cash flows for the year ended December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the **MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN** as at December 31, 2014, and the results of its financial performance and its cash flows for the year ended December 31, 2014 in accordance with International Financial Reporting Standards.

/s/ Dudley & Company

Dudley & Company
Chartered Accountants LLP

Regina, Saskatchewan
March 24, 2015

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF FINANCIAL POSITION
As at December 31

	Dec. 31 2014	Dec. 31 2013
	(thousands of Canadian dollars)	
ASSETS		
Due from General Revenue Fund (Note 3)	$ 19,780	$ 0
Interest receivable	2,926	2,460
Debt retirement funds (Note 4)	4,286	2,318
Investments in municipal debentures (Note 5)	226,874	165,106
	$ 253,866	$ 169,884
LIABILITIES AND PROVINCE'S EQUITY		
Interest payable and accrued liabilities	$ 1,229	$ 919
Debt (Note 6)	240,162	158,150
	241,391	159,069
Province of Saskatchewan's Equity		
Reinvested earnings	12,475	10,815
	$ 253,866	$ 169,884

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31

	2014	2013
	(thousands of Canadian dollars)	
Revenue		
Investment income - municipal debentures	$ 9,569	$ 6,071
Investment income (loss) - debt retirement funds	506	(59)
	10,075	6,012
Expenses		
Interest on debt	8,366	4,686
Administration	49	29
	8,415	4,715
Comprehensive Income	$ 1,660	$ 1,297

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31

	Reinvested Earnings
	(thousands of Canadian dollars)
Balance, December 31, 2012	$ 19,518
Comprehensive Income for 2013	1,297
Dividends Paid to General Revenue Fund for 2013	(10,000)
Balance, December 2013	10,815
Comprehensive Income for 2014	1,660
Balance, December 31, 2014	$ 12,475

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

STATEMENT OF CASH FLOWS

For the Year Ended December 31

	2014	2013
	(thousands of Canadian dollars)	
Operating Activities		
Interest received from municipal debentures	$ 9,794	$ 6,135
Interest received from short term investments	72	10
Interest paid on debt	(8,699)	(5,197)
Payments to suppliers	(49)	(27)
Cash provided by operating activities	1,118	921
Investing Activities		
Purchase of municipal debentures	(128,283)	(26,822)
Proceeds from maturing municipal debentures	66,515	15,891
Cash used in investing activities	(61,768)	(10,931)
Financing Activities		
Debt retirement fund redemptions	0	657
Debt retirement fund installments	(1,561)	(513)
(Repayment) issuance of short term debt	(23,162)	19,865
Issuance of long term debt	149,100	9,800
Debt issuance cost	(847)	0
Repayment of long term debt	(43,100)	(9,800)
Dividends paid	0	(10,000)
Cash provided by financing activities	80,430	10,009
Net increase (decrease) in cash equivalents during the year	19,780	(1)
Cash equivalents, beginning of year	0	1
Cash equivalents, end of year	$ 19,780	$ 0

(See accompanying notes)

MUNICIPAL FINANCING CORPORATION OF SASKATCHEWAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2014

1. Status of the Corporation

The Municipal Financing Corporation of Saskatchewan is a Canadian company that was established in 1969 pursuant to the provisions of **The Municipal Financing Corporation Act**. The Corporation's objective is to assist municipalities in financing their capital requirements.

The Corporation is a Crown corporation of the Government of Saskatchewan and is therefore not subject to Federal or Provincial income tax but is subject to Provincial corporation capital tax.

The Corporation is administered by the Ministry of Finance at 2350 Albert Street, Regina, Saskatchewan.

2. Significant Accounting Policies

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations as issued by the International Accounting Standards Board effective as of December 31, 2014.

These financial statements were authorized for issue by the Board of Directors on March 24, 2015.

Basis of Measurement

These financial statements are presented in Canadian dollars, and have been prepared on a historical cost basis except for debt retirement funds, which have been measured at fair value.

Interest Revenue and Expense

Interest revenue and expense for all investments in municipal debentures and debt is calculated using the effective interest method. This method uses a rate that exactly discounts estimated future cash flows over the expected life of a financial asset or liability to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Corporation estimates future cash flows by considering all contractual terms of the financial instrument other than potential future credit losses.

Financial Instruments

The Corporation has implemented the following classifications:

- Due from the General Revenue Fund and Interest receivable are classified as "loans and receivables." After initial fair value measurement, they are measured at amortized cost using the effective interest rate method. For the Corporation, the measured amounts generally approximate their cost.
- Investments in municipal debentures are classified as "held to maturity investments." After initial fair value measurement, they are measured at amortized cost using the effective interest rate method.
- Debt retirement funds are classified as "financial assets at fair value through profit and loss," because they are actively traded. Thus, they are marked to market through net earnings and comprehensive income at each period end.
- Interest payable and accrued liabilities and debt are classified as "financial liabilities." After initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

Future Change in Accounting Policy

On January 1, 2015, the Corporation withdrew its debt retirement funds from the actively traded pool of debt retirement assets managed by the Ministry of Finance. The Ministry of Finance provided the Corporation with cash equal to the fair value of its share of the actively traded pool. The Corporation plans to use this amount to acquire fixed income securities with fixed maturity dates. The Corporation intends to hold these securities until maturity, so such investments will be classified as "held to maturity investments" and measured at amortized cost using the effective interest method.

In view of the Corporation's intent to hold the securities until maturity, the investment income reported under the new accounting policy will better reflect the substance of the amount earned during a given period.

The change in accounting policy will not affect fiscal years prior to 2015. The impact on future periods cannot be reasonably estimated.

New Accounting Standards Not Yet Adopted

The following new standards are not yet effective for the year ended December 31, 2014, and have not been applied in preparing these financial statements:

IFRS 9, *Financial Instruments*

IFRS 9 was issued by the International Accounting Standards Board (IASB) on November 12, 2009 and will replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. The standard is to be applied prospectively.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. Under IFRS 9, financial assets will generally be measured initially at fair value plus particular transaction costs, and subsequently at either amortized cost or fair value. In October 2010, the IASB issued additions to IFRS 9 relating to accounting for financial liabilities. Under the new requirements, an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's credit risk in other comprehensive income, rather than within net earnings. This standard is effective for annual periods beginning on or after January 1, 2018. The Corporation does not intend to early adopt this standard but is reviewing it to determine the potential impact, if any, on the financial statements.

Annual Improvement Cycles

In 2012, the IASB issued two exposure drafts for Annual Improvements Cycles 2010 – 2012 and 2011-2013, which include minor amendments to a number of IFRS. The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The amendments issued are all effective for annual periods beginning July 1, 2014. The Corporation intends to adopt these amendments in its financial statements for the annual period beginning January 1, 2015. The Corporation is in the process of assessing the impact of the amendments.

3. Due from General Revenue Fund

The Corporation's bank account is included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Corporation's earned interest is calculated and paid quarterly by the General Revenue Fund to the Corporation using the General Revenue Fund's thirty day borrowing rate and the Corporation's average daily bank account balance.

4. Debt Retirement Funds

Under conditions attached to certain advances from the Government of Saskatchewan's General Revenue Fund, the Corporation is required to pay annually into debt retirement funds administered by the Government of Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2014, scheduled debt retirement fund installments for the next five years are as follows:

(in thousands of Canadian dollars)	2015	2016	2017	2018	2019
Debt retirement fund annual contribution	$ 1,902	$ 1,852	$ 1,852	$ 1,824	$ 1,754

A reconciliation between the opening and closing debt retirement funds balance is provided below:

(in thousands of Canadian dollars)	Dec. 31 2014	Dec. 31 2013
Debt retirement funds, beginning of year	$ 2,318	$ 2,542
Debt retirement fund instalments	1,561	513
Debt retirement fund earnings	144	109
	4,023	3,164
Debt retirement fund redemptions	0	(657)
Unrealized debt retirement fund market value gains (losses)	263	(189)
Debt retirement funds, end of year	$ 4,286	$ 2,318

$653 thousand (2013 - $0) of the Corporation's debt retirement funds pertain to debt that matures within twelve months.

5. Investments in Municipal Debentures

The Corporation invests in fixed rate debentures issued by cities, towns, villages, rural municipalities and school divisions throughout the Province of Saskatchewan. Debentures purchased by the Corporation must be approved by the Saskatchewan Municipal Board, where applicable.

The Corporation has an investment in 183 (December 31, 2013 – 173) debentures issued by 94 (December 31, 2013 – 90) issuers with a weighted average yield of 4.03% (December 31, 2013 – 3.92%) and maturity dates ranging from 2015 through 2045.

The carrying amount invested by issuer category is as follows:

	Dec. 31 2014	Dec. 31 2013
	(thousands of Canadian dollars)	
Cities	$ 134,392	$ 72,265
Towns	44,047	43,104
Villages	11,063	11,043
Rural Municipalities	31,604	32,584
School Divisions	5,768	6,110
	$ 226,874	$ 165,106

Investments in municipal debentures due in the next five years are as follows:

(in thousands of Canadian dollars)	2015	2016	2017	2018	2019
	$ 11,652	$ 18,764	$ 11,795	$ 13,655	$ 10,614

The fair value of these debentures is $259.5 million (December 31, 2013 - $176.6 million). This fair value is determined by discounting the debentures' future cash flows using investment rates presently available to the Corporation for investments with similar terms and remaining maturity. Prepayment rates and credit losses are assumed to be zero, based on the past experience of the Corporation. A one per cent change in the investment rates noted above would change the fair value of these debentures by approximately $22.5 million. The Corporation measures its investments in municipal debentures at amortized cost using the effective interest method, so changes in the fair value of these securities have no immediate effect on net earnings.

The Corporation's policy is to permit borrowers to redeem debentures prior to maturity. The redemption price of debentures purchased after March 2009 is set at the fair market value of the debenture. For debentures purchased prior to March 2009, the redemption price is set at the face value of the debenture plus 50% of the difference between the face value of the debenture and its fair market value. During 2014 no debentures were redeemed (2013 - $0).

At December 31, 2014, the Corporation had committed to purchase $0.4 million (2013 - $1.9 million) of debentures. These debentures were purchased subsequent to the year end.

6. Debt

	Dec. 31, 2014		Dec. 31, 2013	
	Principal Outstanding	Average Interest Rate	Principal Outstanding	Average Interest Rate
	(thousands of Canadian dollars)			
Operating line of credit	$ -	-	$ 23,162	1.01%
Amounts due in:				
1-5 years	65,574	2.95%	93,674	3.22%
6-10 Years	36,996	2.95%	15,996	3.09%
11-15 Years	15,530	4.53%	15,530	4.53%
16-20 Years	22,900	3.69%	9,800	3.94%
More than 20 Years	100,000	3.90%	-	-
	241,000		158,162	
Less: Unamortized deferred financing charges	(838)		(12)	
Debt	$ 240,162	3.52%	$ 158,150	3.05%

The fair value of debt is $262.4 million (December 31, 2013 - $162.2 million).

This amount is determined by discounting future cash flows using borrowing rates presently available to the Corporation for debt with similar terms and remaining maturity. A one per cent change in the borrowing rates noted above would change the fair value of debt by approximately $30.6 million. The Corporation measures its debt at amortized cost using the effective interest method, so changes in the fair value of debt have no immediate effect on net earnings.

a) operating line of credit

The Corporation is authorized to borrow up to $200.0 million on a short term basis from the GRF.

b) principal repayments

Principal repayments for the next five years are as follows:

(in thousands of Canadian dollars)	2015	2016	2017	2018	2019
	$ 15,174	$ 10,000	$ 2,800	$ 22,600	$ 15,000

7. Related Party Transactions

The Corporation is controlled by the Government of Saskatchewan.

These financial statements include the results of transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan. Significant outstanding balances and transactions are as follows:

	2014	2013
	(thousands of Canadian dollars)	
Balances		
Due from General Revenue Fund	$ 19,780	$ 0
Interest receivable	161	170
Debt retirement funds	4,286	2,318
Investments in municipal debentures	5,768	6,110
Interest payable and accrued liabilities	1,220	910
Debt	240,162	158,150
Transactions		
Investment income - municipal debentures	$ 303	$ 321
Investment income (loss) - debt retirement funds	506	(59)
Interest on debt	8,366	4,686
Administration	40	20

8. Financial Instruments

Management of Financial Risks

The activities of the Corporation result in exposure to three types of risk:

i) Interest Rate Risk

Interest rate risk is risk that the value of the Corporation's assets and liabilities will fluctuate due to changes in market interest rates. This risk exists because the maturity dates of the Corporation's assets and liabilities are not precisely matched:

Year of Maturity	Financial Assets	Financial Liabilities	Difference 2014	Difference 2013
	(thousands of Canadian dollars)			
2014	$ -	$ -	$ -	$ 85
2015	35,012	16,403	18,609	-
2 - 5 years	55,561	50,400	5,161	(7,705)
Thereafter	163,293	175,426	(12,133)	18,423
	$ 253,866	$ 242,229	$ 11,637	$ 10,803

The Corporation manages this risk by matching the maturity dates of material assets and liabilities to the extent possible.

ii) Liquidity Risk

Liquidity risk is the risk that financial obligations will not be met over the short-term due to lack of access to capital. This risk is managed by distributing debt maturities over many years, maintaining sinking funds on long-term debt issues and maintaining adequate cash reserves and an $200 million short-term line of credit with the General Revenue Fund.

iii) Credit Risk

Credit risk is the risk that the Corporation will not receive payment in full for its investments in municipal debentures or its debt retirement funds.

For municipal debentures, this risk is managed by legislative restrictions on the amounts that can be borrowed by local governments and scrutiny of all proposed transactions. Few of the Corporation's municipal debentures have a credit rating, however all are considered secure. At December 31, 2014, the Corporation had a maximum exposure of $226.9 million (2013 - $165.1 million) on its investments in municipal debentures.

For debt retirement funds, this risk is managed by holding a diversified portfolio of investment grade fixed income securities. The investment guidelines applicable to the debt retirement funds prohibit the acquisition of non-investment grade securities. At December 31, 2014, the Corporation had a maximum exposure of $4.3 million (2013 - $2.3 million) on its debt retirement fund investments.

The Corporation has never experienced a credit-related loss.

Fair Value Information Regarding Financial Instruments

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The Corporation has classified the fair valuation of its financial instruments as level 1, 2 or 3 as defined below.

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Corporation's debt retirement investments have been grouped into Level 2 of the fair value hierarchy. These investments are valued by the Ministry of Finance using information provided by investment dealers. To the extent possible, valuations reflect indicative secondary pricing for these securities. In all other circumstances, valuations are determined with reference to similar actively traded instruments.

Other Information Regarding Financial Instruments

The effective interest rates on the Corporation's interest bearing financial instruments are as follows:

	Dec. 31 2014	Dec. 31 2013
Investments in municipal debentures	4.03%	3.92%
Interest bearing liabilities	3.52%	3.05%

The Corporation's financial instruments have the following carrying amounts:

	Dec. 31 2014	Dec. 31 2013
Financial assets at fair value through profit or loss (all classified as held for trading)	$ 4,286	$ 2,318
Held to maturity investments	226,874	165,106
Loans and receivables	22,706	2,460
Financial liabilities measured at amortized cost	(242,229)	(159,081)
Net carrying value of financial instruments	$ 11,637	$ 10,803

The Corporation incurred gains of $263 (2013 – losses of $189) on its financial instruments that are measured at fair value through profit and loss.

Total interest income on financial assets not held for trading was $9,669 (2013 - $6,092).
Total interest expense on financial liabilities not held for trading was $8,366 (2013 - $4,686).

The Corporation had no fee income or expenses arising from financial instruments not held for trading.

The Corporation had no impaired financial instruments, so no interest income or losses were incurred from such assets.

9. Capital Management

The Corporation defines its capital as its reinvested earnings and its long term debt payable.

The Corporation strives to ensure that the interest rate on its investment in municipal debentures exceeds the effective interest rate on its long term debt. The Corporation also attempts to match the payments required to service its long term debt to the cash flows expected from its investments.

The Corporation is not subject to any external or statutory capital requirements.

The points noted above have not changed from the previous fiscal year.

Information on the specific management of financial risks is included in Note 8.

10. Operations Budget

The Corporation's annual budget is approved by its board of directors. For 2014, the approved budget was as follows:

	(thousands of Canadian dollars)
Revenue	
Investment income - municipal debentures	$ 9,430
Investment income - debt retirement funds	70
	9,500
Expenses	
Interest on debt	8,350
Administration - Ministry of Finance	40
- audit	10
	8,400
Comprehensive income	$ 1,100